

From: X James Li [lix@cellexinc.com]  
Sent: Wednesday, March 30, 2005 9:31 PM  
To: restructure.sizestandards@sba.gov  
Subject: SBIR Standards  
Dear Sir or Madam:

As a founder of a biotech company that has received several SBIR grants, I would like to comment on the size definition of small business, specifically with regard to those venture funded companies.

I strongly believe that the SBIR programs are intended to foster innovation of small business. However, if a company is owned by venture capitalists by more than 50%, it loses its very meaning of small business for which the SBIR program is intended to support. The key words of SBIR is innovative and research. It's highly unlikely that a venture firm is interested in or will fund a company that is still doing research. In fact, the majority of venture money goes to a few relatively large companies that has been in existence for a long period of time. The involvement of venture money in the SBIR program will also destroy the fairness of competition and inhibit innovation. The SBIR program is most effective in supporting the true small companies. If these companies are successful, they will eventually get venture funding if they choose so. Once funded by venture fund (more than 50%), the company have better chances to succeed even without SBIR money. This inturn leave the SBIR funds to support a new generation of truly innovative small businesses.

Remember, venture firms get their money from a large number of individuals and institutions. In addition, many large companies also have their own venture funds. If these funds are allowed to take advantage of the SBIR program, it would be the end of SBIR program as we know it.

Thank you for your consideration.

Sincerely yours,

X James Li, Ph.D.  
CEO  
Cellex Inc.